

# Q4 2017



## City of Brawley Sales Tax *Update*

*First Quarter Receipts for Fourth Quarter Sales (October - December 2017)*

### Brawley In Brief

**B**rawley's receipts from October through December were 26.0% above the fourth sales period in 2016.

**A** 120% surge in allocations from the countywide use-tax pool was the largest contributor to the overall growth, though this increase was significantly inflated by large payment anomalies.

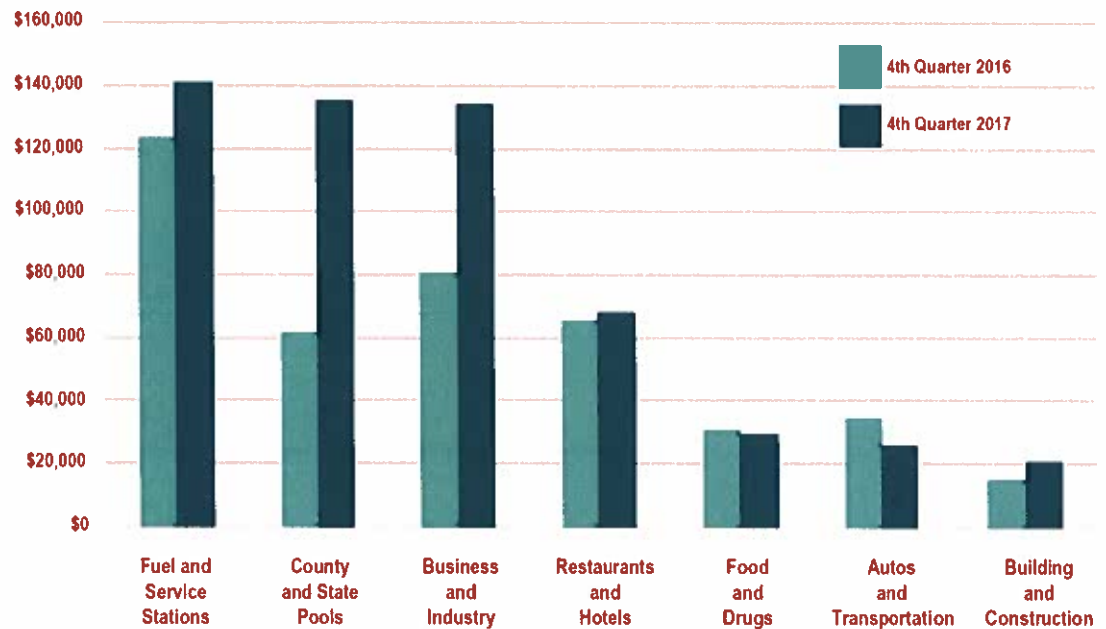
**W**arehouse/farm equipment sales also spiked and added to the bottom line.

**S**ynchronized global growth and disciplined OPEC oil production led to higher gasoline prices at the pump, which benefited local service stations.

**A**uto-transportation sales declined, slightly moderating the overall rate of improvement.

**N**et of aberrations, taxable sales for all of Imperial County grew 11.7% over the comparable time period; the Southern California region was up 3.5%.

### SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

*IN ALPHABETICAL ORDER*

7 Eleven	Lidco Imperial Valley
AutoZone	McDonalds
Circle K 76	McNeece Bros Oil
Del Taco	Northend Auto Parts
Dollar Tree	Prime Fuel & Mini Mart
Elms Equipment Rental	RDO Water
Exxon	Rite Aid
Fillco	Shell Station Market
HD Supply Waterworks	USA Gas
Imperial Hardware	Vons
Jack in the Box	Walmart Online
Johnnys Burritos	Walmart Supercenter
Jordan Implement	

### REVENUE COMPARISON

*Three Quarters - Fiscal Year To Date*

	2016-17	2017-18
Point-of-Sale	\$1,459,765	\$1,458,153
County Pool	207,449	294,761
State Pool	825	318
Gross Receipts	\$1,668,040	\$1,753,231

## California Overall

Factored for accounting anomalies, statewide fourth quarter receipts from local government's one cent sales tax were 4.5% higher than the holiday quarter of 2016.

Rising fuel prices and solid gains from building/construction supplies, restaurants and e-commerce were the primary contributors to the overall increase. A healthy quarter for auto sales and construction equipment were additional factors. Tax revenues from general consumer goods sold through brick and mortar stores rose a modest 1% over last year's comparable quarter while receipts from online sales increased 13.2%.

Performance for the inland areas of the state were generally stronger than the coastal areas which had earlier recovered from the previous downturn.

## Nexus Issue to be Revisited

In 1992, the U.S. Supreme Court ruled in *Quill v. North Dakota* that businesses lacking a physical presence or "nexus" in a state cannot be required to collect or remit that state's taxes. This does not excuse buyers from paying a corresponding use tax but the costs of enforcement, particularly on smaller purchases, is difficult and local brick and mortar retailers are placed at a competitive disadvantage.

California has been more effective at collecting use tax than most states with an aggressive program of auditing major business purchases, requiring CPA's to report unpaid use tax on client's annual returns and requiring businesses with annual gross receipts of \$100,000 or more to register for the purposes of reporting use tax.

The State has also increased the number of out-of-state sellers required to collect sales tax through broader definitions of what constitutes physical presence including a requirement that larger internet retailers collect and remit sales tax if paying a commission for customer referrals obtained via a link on a California seller's website.

Still, the estimated revenue losses are substantial particularly for agencies with voter-approved transactions tax districts. Because of *Quill*, retailers are

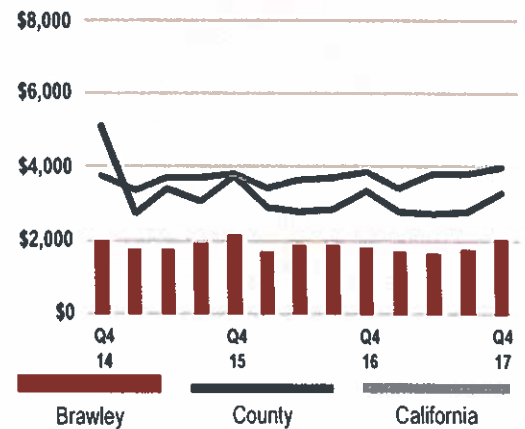
not required to collect the tax for purchases in an adjacent jurisdiction if the retailer has no physical presence in that jurisdiction. The resulting loss to local governments projected by the State Board of Equalization in 2016-17 was \$756 Million in uncollected tax revenues and losses to the state of \$697 Million: (<https://www.boe.ca.gov/legdiv/pdf/e-commerce-2017F.pdf>).

Congress has refused to act on numerous attempts to seek legislative relief over the last two decades. However, three justices – Clarence Thomas, Neil Gorsuch and Anthony Kennedy have recently expressed doubts about the *Quill* decision with Kennedy noting in 2015, that the ruling has produced a "startling revenue shortfall" in many states as well as "unfairness to local retailers and customers."

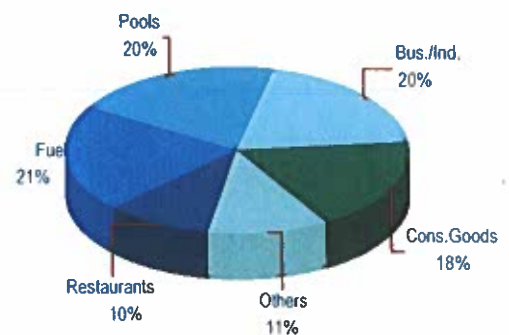
In January 2018, the U.S. Supreme Court agreed to hear arguments in the case of *South Dakota v. Wayfair Inc.* where *Wayfair* is challenging the State's recently adopted requirement that retailers collect and remit, or pay, sales tax on purchases made by South Dakota residents.

Oral arguments are scheduled for April with a decision expected by the end of June 2018.

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP Brawley This Quarter



## BRAWLEY TOP 15 BUSINESS TYPES

Business Type	Brawley		County	HdL State
	Q4 '17	Change	Change	Change
Auto Repair Shops	6,590	12.0%	-18.4%	3.6%
Automotive Supply Stores	18,506	-6.6%	0.4%	1.9%
Building Materials	— CONFIDENTIAL —		3.3%	11.6%
Casual Dining	13,234	-24.0%	7.6%	3.5%
Convenience Stores/Liquor	7,011	11.4%	-10.1%	8.3%
Discount Dept Stores	— CONFIDENTIAL —		5.4%	4.1%
Fulfillment Centers	— CONFIDENTIAL —		-5.2%	55.5%
Grocery Stores	— CONFIDENTIAL —		-10.2%	-1.5%
Petroleum Prod/Equipment	— CONFIDENTIAL —		17.9%	29.9%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		27.5%	9.9%
Quick-Service Restaurants	54,990	13.7%	4.7%	5.0%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —		-41.4%	6.5%
Service Stations	91,925	15.0%	3.2%	11.4%
Variety Stores	7,791	3.4%	19.0%	10.4%
Warehouse/Farm/Const. Equip.	96,638	81.2%	52.4%	18.1%
<b>Total All Accounts</b>	<b>543,004</b>	<b>13.9%</b>	<b>-0.4%</b>	<b>4.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>135,214</b>	<b>119.8%</b>	<b>92.2%</b>	<b>0.8%</b>
<b>Gross Receipts</b>	<b>678,218</b>	<b>26.0%</b>	<b>10.2%</b>	<b>3.6%</b>